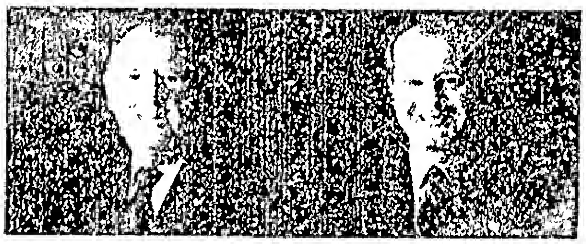


CONTENTS

DIRECTORS AND ADVISORS

DIRECTORS

John Hann
Non-executive Chairman

Michael Rogers
Chief Executive

Viscount Bridgeman
Non-executive Director

Clive Chapman
Group Finance Director

John Cockburn MB ChB
Managing Director,
Nestor Medical Deputising

Francis Howard
Non-executive Director

Jennifer Priestley SRN
Managing Director,
Nestor Medical Services

Alan Pilgrim
Managing Director,
British Nursing Association

SECRETARY

John Wood

REGISTERED OFFICE

20A Church Road
Welwyn Garden City
Hertfordshire AL8 6PS

FINANCIAL ADVISORS

Hambros Bank Limited
41 Tower Hill
London EC3 4HA

STOCKBROKERS

Rowe & Pitman Ltd
1 Finsbury Avenue
London EC2M 2PA

AUDITOR

Coopers & Lybrand Deloitte
Chartered Accountants
128 Queen Victoria Street
London EC4P 4JX

SOLICITORS

Freshfields
Whitefriars
65 Fleet Street
London EC4Y 1HS

USA ATTORNEYS

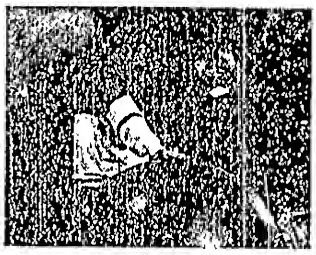
Dechert Price & Rhoads
477 Madison Avenue
New York NY 10022

PRINCIPAL BANKERS

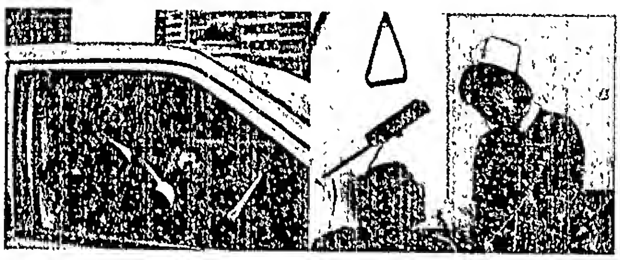
National Westminster Bank PLC
24 Albemarle Street
London W1X 4JS

REGISTRAR AND TRANSFER OFFICE

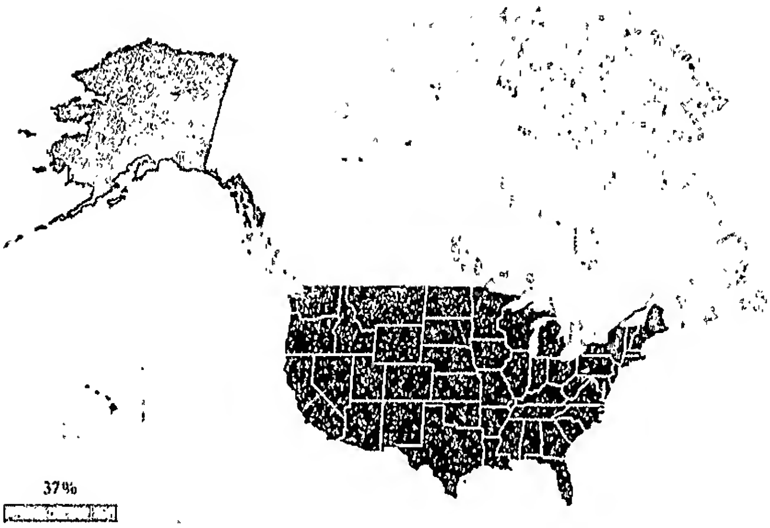
National Westminster Bank PLC
Registrar's Department
PO Box No 82
Caxton House
Redcliffe Way
Bristol BS99 7NH



"... Our objectives are straightforward. We aim to continue to develop and grow a group of companies serving the healthcare and specialist personnel markets, with a view to becoming a major force in both sectors. We will achieve this not necessarily by being the biggest, because size in itself does not guarantee success, but by seeking to be the best at what we do ..."



GROUP STRUCTURE



3%

SCOTT-GRANT

Proportion of Group operating profit in 1991 was 3%. Scott-Grant's primary business is the supply on a temporary basis of specialist supervisory, technical and computer personnel. It also sells its own computer software and provides lecturing and training facilities.

37%

MEDICAL RECRUITERS OF AMERICA.

Proportion of Group operating profit in 1991 was 37%. MRA supplies nurses and other specialist healthcare personnel on a temporary contract basis to hospitals across the USA. It currently has over 1,000 nurses and allied health personnel out on assignment.

15%

BRITISH NURSING ASSOCIATION

Proportion of Group operating profit in 1991 was 15%. BNA is the largest nursing agency in the country. It currently has 117 branches and provides over 110,000 hours of care each week.

19%

NESTOR MEDICAL SERVICES.

Proportion of Group operating profit in 1991 was 19%. NMS owns and manages three hospitals and two nursing homes. Its areas of expertise are the provision of acute surgical medical facilities, rehabilitation, acute psychiatry and care of the elderly.

13%

NESTOR MEDICAL DEPUTISING

Proportion of Group operating profit in 1991 was 13%. NMD operates doctors' deputising services from nine centres in North West England and the West Midlands. In 1991 this division made 340,000 house calls.

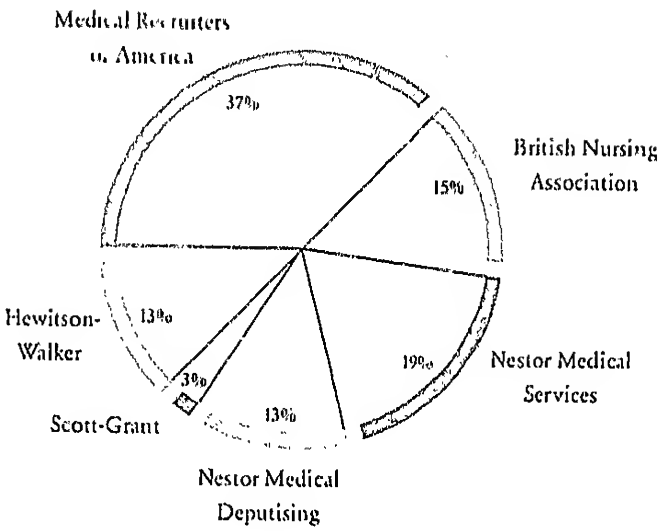
13%

HEWITSON-WALKER.

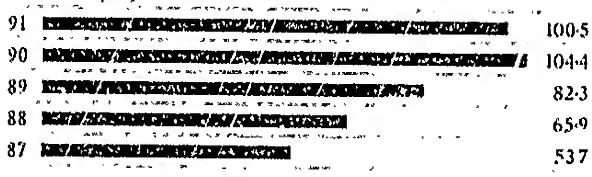
Proportion of Group operating profit in 1991 was 13%. Hewitson-Walker places qualified and part-qualified accountants on a temporary basis, primarily in the Greater London area.

FINANCIAL HIGHLIGHTS

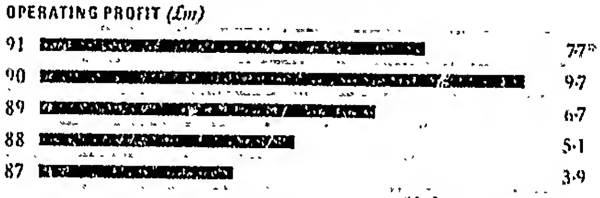
PROPORTION OF GROUP
OPERATING PROFIT IN 1991



TURNOVER *(£m)*

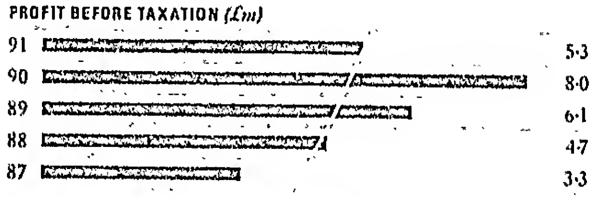


OPERATING PROFIT *(£m)*

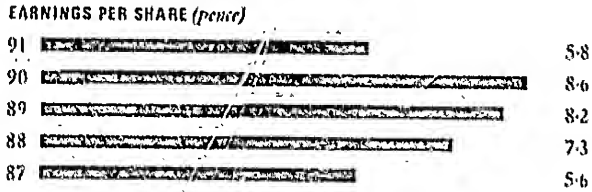


**before exceptional item*

PROFIT BEFORE TAXATION *(£m)*



EARNINGS PER SHARE *(pence)*



John Hann, *Chairman*

INTRODUCTION

The results for the year confirm the feelings expressed in our 1990 Annual Report that I viewed 1991 with a mixture of optimism and caution. The year started well with increasing revenues and profits but, as with the economy generally, this trend reversed in the second quarter. We did, however, see some recovery in turnover subsequently but the improvements in profit in the second half were brought about more by our actions to contain costs and increase profitability than from improvements in the markets in which we operate.

Although in absolute terms 1991 was a disappointing year for most divisions and the company as a whole, when reviewed against both the economic and political conditions that prevailed we take comfort and encouragement from our performance.

SUMMARY OF RESULTS

Turnover for the year fell slightly from £104·40 million to £100·54 million and operating profit before the exceptional item reduced by 21% to £7·66 million. The exceptional item of £0·84 million relates to the reorganisation costs incurred in our UK nursing agencies division.

Operating profit after the exceptional item was £6·82 million (1990: £9·72 million) and, after a lower interest charge than last year, pre-tax profits were £5·31 million (1990: £8·02 million). Earnings per share were 5·81p (1990: 8·64p).

DIVIDENDS

Our dividend policy is one of long term growth in line with earnings, taking account not only of the results for the current year but also the prospects for the future. In recognition of this, your directors are recommending the payment of an unchanged final dividend of 2·0p per share to be paid on 29th May 1992 to shareholders on the register at close of business on 1st May 1992, making a total dividend for the year of 3·15p (1990: 3·15p).

OPERATING RESULTS

Throughout 1991 both the UK and US economies remained firmly in recession. The majority of our businesses involve the supply of nursing, specialist medical staff and other skilled personnel. The combination of high white-collar unemployment, low labour turnover, low business and consumer confidence and a high number of company failures created a difficult environment in which to operate. Our problems were compounded in the UK by the impact upon some of our businesses of the restructuring within the National Health Service and financial constraints of insurers of private healthcare. Nevertheless all of our subsidiaries continued to operate profitably and to generate cash.

MRA, our American travel nursing division acquired in April 1990, has operated with record numbers of personnel out on assignment. In spite of persistent recession in America

and increased competition our strategies of greater concentration on other specialist medical staff and investment in the management, systems and marketing gave rise to improving net margins in the second half of the year. MRA produced an operating profit of £3·26 million in the year (1990: £2·71 million).

For BNA, our UK nursing agency division, 1991 has been a year of considerable change. In the first half of the year it became clear that the relatively low demand for supplemental staffing from the National Health Service was likely to continue for some time. This gave added impetus to our efforts over recent years to make BNA less dependent upon NHS business through greater marketing emphasis on private homecare and services to industry. By the year end the NHS accounted for only 28% of BNA's sales. The decision was also taken to re-appraise the operating structure of BNA with a view to making it more responsive to current conditions. The subsequent reorganisation involved changes in many areas. The composition of the board has been changed, the regional nursing, area nursing and head office management structures have been streamlined and computer systems changes have also been made. It was also necessary to make further staff reductions. The effect of this reorganisation is that BNA is now a more efficient nursing agency satisfying a wide client base with a lower underlying cost structure.

By the latter stages of 1991, BNA's profits were already benefiting from these changes and total operating profits and net margins improved in the second half of the year. BNA made an operating profit in the year of £1·26 million (1990: £2·14 million).

After an extremely good start to the year, Nestor Medical Services, our hospitals and nursing homes division, was somewhat abruptly affected by the problems of medical insurance providers which have since become well-publicised. Increased restrictions in reimbursement policies by major insurers with respect to certain medical conditions reduced the number of admissions into two of our facilities quite dramatically. Our subsequent negotiations with medical insurers and also increased marketing to self-pay customers led to some recovery in occupancy levels by the year end. Nestor Medical Services made an operating profit of £1·62 million (1990: £1·51 million).

Nestor Medical Deputising again performed well with profit growth of 27% to £1·14 million (1990 £0·90 million). A full year's contribution from our Manchester based Medical Duty Service, which was acquired in May 1990 and is now fully integrated into the Group, assisted NMD in the achievement of this very creditable result.

The economic downturn impacted most severely upon our two non-medical specialist personnel businesses. However, both continued to make profits. Scott-Grant, our productivity improvement specialists, suffered through the inability of hard pressed customers in the manufacturing and service industries to invest in our services and made a reduced operating profit of £0·30 million (1990: £0·93 million). Business with the public sector has continued to grow as a result of the determined marketing efforts by management. Hewitson-Walker, which places temporary accountants in the Greater London area made an operating profit of £1·13 million (1990: £2·69 million). Careful focus on cost containment and net margins led to a very creditable performance from this company. It is, however, recognised that marketing initiatives need to be maintained if we are to maximise the benefits from any upturn in the market.

With hindsight, the Autumn of 1989 was not the best time to launch Nutri/System, the personal weight-loss programme, in the UK as the subsequent severe downturn in the retail sector has borne most heavily upon personal discretionary spending. Sixteen centres had been opened by the end of 1990 when it was decided that it would be prudent to delay further expansion until more favourable economic conditions prevailed. However, we and our joint venture partner have been encouraged by the growth in sales during 1991 from the existing centres and by the increased customer acceptance of what is a highly effective but relatively expensive method of controlled weight loss. How and when the concept should be developed, possibly with the introduction of a further investor, is now being actively considered.

BALANCE SHEET AND BORROWINGS

1990 was a year of significant change for the Group, characterised by major acquisitions. 1991 has been a year of consolidation and strengthening of our balance sheet.

Shareholders' funds increased during the year from £3·24 million to £9·82 million. This includes the effect of a revaluation of our hospital and nursing home properties by £5·32 million and the write off of goodwill relating to deferred acquisitions of £0·26 million.

The strong cash flow generated during the year reduced the net borrowings from £15·29 million to £13·48 million, even after the effect of a stronger dollar which increased the sterling value of our net dollar borrowings by £0·36 million.

This reduction in borrowings and lower interest rates resulted in lower interest costs for the year and, despite the absorption of the exceptional reorganisation charge, a level of interest cover for the year of 4·5 times was achieved.

The Group's borrowings are predominantly medium term with $17·00 million (£9·05 million) repayable between 1993 and 1997, £4·88 million either repayable in 1994 or capable of being extended at that date, and £0·45 million representing an excess of cash balances over short term borrowings.

DEFERRED ACQUISITION AGREEMENTS

We reached agreement in May 1991 with the vendors of Hewitson-Walker that no further deferred consideration payments would be made under the Hewitson Walker acquisition agreement. We also made final payments of deferred consideration early in the year to the vendors of Scott-Grant. As a consequence, the Group now has no deferred consideration liabilities in respect of any of its acquisitions.

OUTLOOK

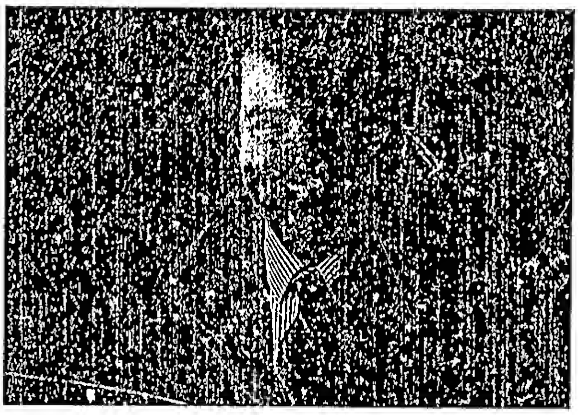
The current economic climate both in the USA and UK and the political uncertainties surrounding healthcare make it particularly difficult to forecast the outcome for the current year. We expect the effect of these uncertainties to persist at least for the first half of the year, although the actions taken in 1991 and continuing attention to costs will produce benefits throughout 1992, particularly in the second half.

We also expect that further strengthening of our balance sheet and good cash flow will contribute to a continuing improvement in the underlying strength of the Group.

John Hann

John Hann
Chairman

19th March 1992



Michael Rogers, *Chief Executive*

The Group's main activities involve the provision of temporary healthcare personnel in the UK and the USA. In addition, we provide in the UK a range of other medical services and other temporary specialist personnel. Apart from the general state of the UK and USA economies, the Group is most affected by what is happening in employment and healthcare in these countries. A brief overview of these matters follows as a prelude to specific comment on each operating division.

During 1991, both economies were affected by recession. A significant element of the recessions in both countries has been the high degree of white-collar unemployment and the extremely low level of voluntary labour turnover. Employment activities such as ours benefit most from conditions of low white-collar unemployment and high labour turnover. However, our employment activities focus on the provision of temporary healthcare and other temporary specialists and such activities tend to be less volatile than general temporary work or permanent placement business.

The healthcare markets in both countries are in some disarray. In the UK, the reforms of the National Health Service have made some aspects of our UK market extremely difficult to predict. At the same time, medical insurers' financial results have made it easy to predict high increases in the cost of medical insurance and pressure on healthcare operators' margins.

In the USA, the rising cost of medical care was causing concern before their recession. In a society which tends to be litigious, it is not surprising that medicine is practised defensively. This gives rise to a considerable amount of expensive testing and screening activity in advance of many medical/surgical procedures. Comprehensive and sophisticated healthcare is widely and readily available but it is expensive. Employers, caught between falling revenues and rising costs have sought to curb increases in healthcare and other costs.

As can be deduced from the above, most of our companies were operating in difficult markets for most of the year. The achievement of sales in excess of £100 million did not come easily under these conditions.

recruitment bonuses and close attention to housing and other costs led to improved operating margins in the second half of the year. Over the year as a whole, we achieved a 13% rise in average numbers working.

MRA's management team has been strengthened during the year and is settling well to its task. The company moved to better premises in 1991 and the opportunity was taken to improve the working layout and to install more sophisticated telephone and communication equipment. There has been a steady flow of improvements to management information systems and the members of the management team are considerably better informed than ever before of the current state of all aspects of the business and of the financial consequences of their actions. Improved training has been introduced at all levels. Marketing activity has been stepped up, leading to a marked increase in the number of visits to current and potential clients and to an increased presence at relevant conferences and exhibitions. Overall, there has been significant investment of money and effort into the future of the business.

The continuing education of nursing personnel is of great importance to the future of our business and to the quality of service MRA nurses provide; it is also of considerable importance to our hospital clients. An extremely effective inter-active learning system, known as "Argosy", has been developed. Employing laser discs and touch screen technology, it is very easy to use and a considerable number of courses specific to nurses' continuing education requirements have already been developed.

An unusual feature of the system is its facility to test, evaluate and keep comprehensive training records. MRA has secured exclusive distribution rights for Argosy in respect of the whole USA healthcare market and hospital clients employing certain numbers of MRA nurses become eligible for advantageous terms for Argosy equipment and software.

BRITISH NURSING ASSOCIATION

BNA is the largest nursing agency in the United Kingdom. It has on its register approximately 60,000 temporary nurses and carers who undertake a wide range of assignments, usually at fairly short notice, through BNA's network of 117 branches.

BNA's sales in 1991 amounted to £43·66 million, 15% below the £51·50 million of 1990. Operating profits, before exceptional costs of £840,000 amounted to £1·26 million, 41% down on the £2·14 million of 1990.

From 1976 until 1989 BNA developed steadily, increasing its numbers of branches from 24 up to a maximum of 130. Over the same period, operating profits were increased from £200,000 to £3·55 million. BNA serves many markets: private individuals in their homes, NHS hospitals, nursing homes, industry, social services, private hospitals, schools, prisons and pharmaceutical companies. All of these markets were developed steadily over the years.

Alan Pilgrim, *Managing Director, BNA*

The principal reason for the decline in BNA's fortunes since 1989 has been the dramatic fall in the NHS usage of agency staff as implementation of the NHS reforms forced Health Authorities to balance their books and claw back previous deficits. Agency staff were traditionally used as 'top up staffing' and with the financial constraints usage declined significantly.

This factor resulted in demand falling to a low point in May 1991 at which time activity was about 150,000 hours a month below the levels achieved in 1989. Whilst during the period of this significant decline BNA had made various economies, it was clear towards the end of the first half of 1991 that the change in the nature of BNA's market was fundamental and required significant restructuring of the company.

BNA has now been re-organised and restructured in order to produce firstly a cost structure its revenue base can afford and secondly, the mix of skills and talents at senior management level necessary to cope with current and future demands. The management structure was simplified and alternative computer facilities management arrangements were negotiated involving the transfer of our mainframe data processing to different management at a different site. The

total cost of this reorganisation and restructuring was £840,000.

The new BNA management team is reviewing all aspects of the business with a view to increasing effectiveness in all areas. Several improvements have already been introduced. Internal communication is much improved, area and branch managers are being given greater responsibility for developing local business and are more involved in decisions affecting their work. Several marketing initiatives and training programmes have been commenced with a view to bringing in more business.

As a result of these changes, operating margins were much improved in the second half of the year and BNA is currently producing higher profits than a year ago.

The largest sector of BNA's work is looking after individuals in their homes. Homecare of this kind has proved fairly resistant to recession despite the fact that costs are usually met from the patient's own resources. In 1991, BNA provided 2.5 million hours of Homecare.

NHS work represents only 28% of BNA's business. The NHS is now purchasing agency services more on a contractual basis and whilst this has had the impact of depressing commission per hour the guarantee of first call status can increase volumes dramatically and improve the profitability of a branch. The establishment of the NHS Supplies Authority and larger Regional Supplies Centres will undoubtedly extend this process and BNA expects in several regions to be one of the very few companies able to provide a service throughout Regions.

The growth in occupational health medicine also provides an exciting opportunity for BNA and industrial work, whilst still representing only 9% of BNA's business, has held up well in the recession. Increasing legislation on Health and Safety, food hygiene and increasing awareness of the impact of substance abuse in the workplace present opportunities for BNA. Discussions are already taking place with large national companies and organisations which could result in significant extra volume in this sector.

BNA is now well positioned with the appropriate management and cost structure in place and any significant successes on the sales side will lead quite rapidly to further improvement in profits.

Jennifer Priestley, *Managing Director NMS*

NESTOR MEDICAL SERVICES

NMS owns three hospitals: Unsted Park (rehabilitation medicine), New Hall (medical/surgical) and Ticehurst House (psychiatric) and two nursing homes, Thames Bank and Woodlands. NMS also runs Highbury Grange Hospital, rehabilitation medicine [illegible] Leicestershire Health Authority.

NMS [illegible]

[illegible]

impact both on the number of admissions and on the average length of stay at Unsted Park.

The specialist in charge of an individual patient's treatment is obviously the best qualified person to prescribe the nature and extent of the course of treatment found necessary. However, it is as well to be the case that the patient's medical cover will not meet the full cost of this treatment. [illegible]

[illegible]

We [illegible] quality of [illegible] the comprehensive [illegible] programme [illegible] provides that [illegible] proportion of patients [illegible] paying for themselves.

We are delighted with the progress Ticehurst House is making in the development of its [illegible] Head Injury [illegible], Mood [illegible] Disorder [illegible] units have [illegible] significantly [illegible] and profitability.

New Hall continues its steady growth in services provided and status within its community.

The occupancy levels at the nursing homes reduced during the year [illegible] significant [illegible]

[illegible] NMS achieved an overall improvement in profit [illegible] year.

NESTOR MEDICAL DEPUTISING

The purpose was not simply to determine satisfaction levels but to examine areas where further improvements to the services offered to patients could be made. This exercise in audit has been extended this year to other centres.

In 1991, NMD continued to increase its level of activity. Sales, including the first full-year contribution from the Manchester based Medical Duty Service, were 26% higher at £7·05 million. Operating profits were 27% higher at £1·14 million.

Considerable effort went into the achievement of this excellent result for 1991 which was the product of over 340,000 visits to patients out of hours.

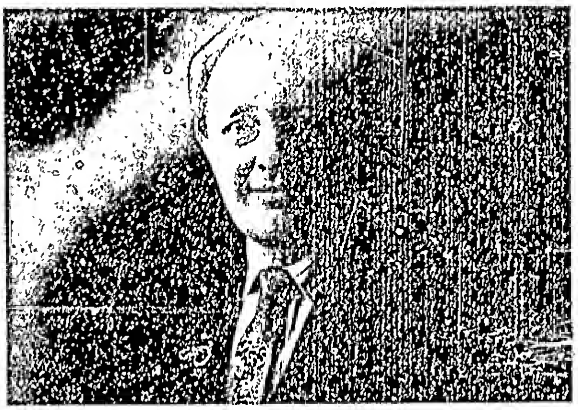
John Cockburn, *Managing Director, NMD*

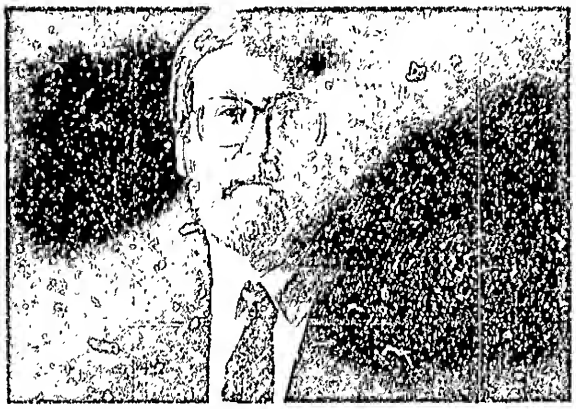
NMD's deputies, all of whom are qualified medical practitioners with experience of general practice, visit patients at home during the night or at weekends on behalf of our client General Practitioners. NMD works mainly from centres in Liverpool, Birmingham, St. Helens, Wolverhampton, Stoke and Manchester.

All calls received are meticulously recorded and transmitted by two-way radio to duty doctors who are accompanied by either a navigator or driver. Medical Directors, all of whom are experienced General Practitioners, are responsible for the standard of service provided to patients.

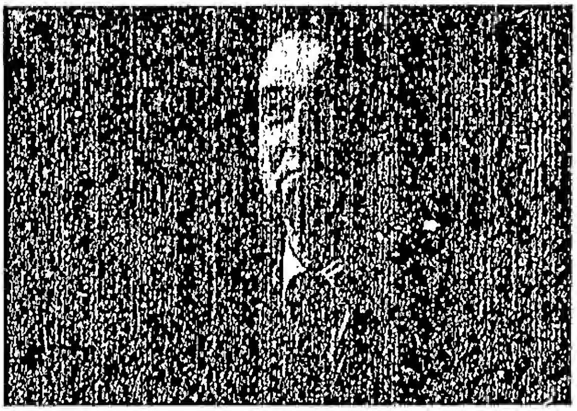
During 1991, at our invitation, Liverpool University Medical School, as part of a project, performed an audit on the level of patient satisfaction with our service in the Liverpool area. A high proportion of the patients questioned expressed satisfaction with various aspects of the attending doctor's performance.

NMD continued to provide Post Graduate Education Courses for General Practitioners during the year. Despite increased competition in this area, NMD provided the annual requirements of post graduate education to 133 General Practitioners during the year in the Midlands and North West.





FINANCIAL ASPECTS



Clive Chapman, *Group Finance Director*

During the year the Group achieved revenue growth in the USA travel nursing operation, hospitals and nursing homes and the doctors' deputising division. However, due to funding restrictions in the NHS and economic recession in the UK, revenues of BNA and our specialist personnel divisions reduced.

Strategic and operational actions were taken during the year to clearly focus the businesses and reduce their cost structures. In particular, BNA undertook a fundamental restructuring of its operations. This gave rise to an exceptional cost in the year of £0·84 million. The main elements of this were the costs of terminations, reorganisation, branch closures and mergers of £0·69 million and restructuring the computer arrangements of £0·15 million.

These actions produced an overall improvement in profit margins in the second half of the year despite revenue levels which were flat or lower than in the first half.

The result for the year was a slight reduction in revenue from £104·40 million in 1990 to £100·54 million and an operating profit before the exceptional item of £7·66 million compared with £9·72 million in 1990.

Interest charges were lower this year at £1·52 million (1990: £1·70 million) due to a combination of lower average borrowings and lower interest rates.

The resultant profit before tax was £5·31 million (1990: £8·02 million) and earnings per share 5·81p (1990: 8·64p) after taking account of the additional shares issued during the year as the final payments of deferred consideration on acquisitions.

Cash flow continued to be a strong feature of the Group with a net inflow of £2·16 million before including the effect of a stronger dollar. This restricted the net borrowings reduction to £1·81 million, taking them to £13·48 million at the year end.

The shareholders' funds, which had been depleted by acquisitions and the consequent write off of goodwill, were strengthened during the year by a combination of the retained profit and revaluation of the Group's properties.

Properties were previously revalued in 1987 and it was felt that the changes which had occurred in the property market since the last valuation should be reflected in the balance sheet. As expected in the current depressed market, the valuation produced a mixture of results with our medical and rehabilitation properties showing an increase in value and our nursing homes a reduction. The net result was an increase in value of the properties of £5·32 million.

OPERATIONAL REVIEW

The overall effect on shareholders' funds was an increase during the year from £3·24 million to £9·82 million.

The combination of reduced borrowings and increased shareholders' funds produced a significantly strengthened balance sheet at the end of 1991.

GROUP OUTLOOK

Although difficult conditions persist, we do not expect them to worsen; in fact, we anticipate recovery in some of our markets in the coming year.

In the UK it is interesting to note that healthcare and employment currently enjoy a high political profile. On the healthcare issue, there are promises of increased levels of funding for the National Health Service and unanimous support for increased resources for care in the community.

On employment matters, although the desire to see a return to higher levels of employment is universal, there are differences in attitudes towards European Community Directives on employment and towards The Social Charter generally. The Social Charter was a result of the European Commission's wish to add a social dimension to the single market. It was adopted by the 11 other Member States (as a non-binding political declaration) in December 1989. The Charter contains about 50 proposals, about half of which are legally binding measures. Directives are proposed on part-time and temporary work, largely designed to extend the protections enjoyed by full-time employees to part-timers

We believe that part-time and temporary work will continue to be a popular and important feature of Britain's employment structure and any possible changes in regulations are not likely to have a significant effect in the near future on the Group.

We are concentrating on being an efficient provider of good quality services at affordable prices. This principle traverses the whole spectrum of our healthcare and specialist personnel services and it is both the best answer to uncertainty in the market place and the best springboard to rapid recovery in improving conditions.

Mike Rogers.

Michael Rogers
Chief Executive

19th March 1992

BOARD OF DIRECTORS

MIKE ROGERS, 49, is Chief Executive. He joined BNA in March 1976 and became Managing Director in October of that year. He became Group Managing Director in May 1978 and joined the Board of Nestor-BNA when it was formed in March 1986. Before joining BNA he was a director of Federation Mutual Insurance where, prior to his Board appointment, he was Management Services Controller. He is a member of the Executive Committee of the Federation of Recruitment and Employment Services.

CLIVE CHAPMAN, 43, is Group Finance Director. He joined Nestor-BNA in September 1990. Before joining the Group he was Group Finance Director of ITL Information Technology plc and prior to that, Group Financial Controller of the P&O Group.

JOHN COCKBURN, 50, is Managing Director of Nestor Medical Deputising. He was appointed Medical Director of Liverpool Locums in 1973 and joined the Board of Nestor-BNA in March 1986. He has been in general medical practice for 23 years and is now Chairman of Liverpool Local Medical Committee.

JENNIFER PRIESTLEY, 45, is Managing Director of Nestor Medical Services. In 1971 she joined Nestor Nursing Homes and ran Unsted Park as Matron. She became Managing Director of Nestor Medical Services in 1985 and joined the Board of Nestor-BNA in March 1986.

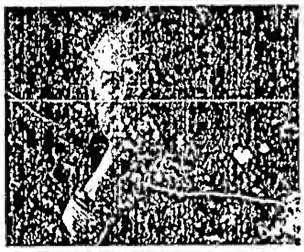
ALAN PILGRIM, 40, is Managing Director of BNA. He joined the Nestor-BNA Group in October 1989 as Director of Operations of Nestor Medical Services. Before joining the Group he was Director of Operations of the UK subsidiary of Hospital Corporation of America. He became Managing Director of BNA and joined the Board of Nestor-BNA in June 1991.

NON-EXECUTIVE DIRECTORS

In addition to their normal duties as Board members the non-executive directors constitute two special purpose committees, the Audit Committee and the Compensation Committee.

JOHN HANN, 65, joined the Board in November 1986 and was appointed Chairman in May 1989. He was previously Chairman of Boots the Chemist Limited until his retirement in 1984. He is a non-executive director of Clifford Foods plc.

VISCOUNT BRIDGEMAN, 61, joined the Board in November 1988, having previously been a member prior to the Company's flotation. He was formerly a director of, and is now a consultant to Guinness Mahon & Co. Limited. He is also a special trustee for Hammersmith & Acton Hospitals.



Viscount Bridgeman

FRANCIS HOWARD, 56, joined the Board in June 1987. He is a director of Howard Perry Associates Limited, business and financial consultants. He was previously Finance Director of Charter Consolidated PLC and is currently a non executive director of Hawtal Whiting Holdings plc, Consolidated Communications Management Limited and other companies.

Francis Howard

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31st December 1991.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

Nestor BNA plc is a holding company for a group of companies in the healthcare and specialist personnel sectors.

The principal activities of the Group are

- the provision of travel nursing services throughout the United States of America,
- the provision of nurses and carers through the largest nursing agency network in the United Kingdom,
- the provision of care in a medical rehabilitation centre, an acute surgical hospital, a psychiatric hospital and two nursing homes,
- the provision of doctors' deputising services in the North West of England and the West Midlands,
- the provision, on a temporary contract basis, of specialist supervisory, technical and computer personnel throughout the United Kingdom,
- the provision, on a temporary basis, of qualified and part-qualified accountants primarily in the Greater London area.

The accompanying Chairman's Statement and Operational Review report on the Group's business during and at the end of the year and on future developments.

On 1st May 1991 the Company reached agreement with the vendors of Hewitson-Walker Limited that no further deferred consideration payments would be made under the Hewitson-Walker acquisition agreement.

RESULTS AND DIVIDENDS

The profit for the year after taxation amounted to £4,300,000. An interim dividend of 1.15p per Ordinary Share was paid on 31st October 1991. The directors recommend a final dividend of 2·00p per Ordinary Share. Following the payment of all dividends for the year, £1,891,000 will have been transferred to reserves.

FIXED ASSETS

Information relating to the changes in fixed assets is given in Notes 14 and 16 to the financial statements.

DIRECTORS

The directors who served during the year were
HJ Mann*, MG Rogers,
Viscount Bridgeman*,
CR Chapman, JJ Cockburn,
FJA Howard*, J Priestley,
AJT Pilgrim
(appointed 5th June 1991),
P Punter, MHD Smith
(both resigned 4th June 1991)
*non-executive directors

In accordance with the Articles of Association, AJT Pilgrim will retire at the Annual General Meeting and, being eligible, will offer himself for re-election.

Two directors, Viscount Bridgeman and JJ Cockburn, will retire by rotation at the Annual General Meeting and, being eligible, will offer themselves for re-election.

AJT Pilgrim and JJ Cockburn each has a service agreement with the Company terminable by the Company on not less than three years' notice expiring at any time.

Viscount Bridgeman has no service agreement.

DIRECTORS INTERESTS

The beneficial and family interests of the directors in the share capital of the Company according to the Register of Directors' Interests maintained by the Company under Section 325, Companies Act 1985 were

	Ordinary Shares		Share Options: Employee Scheme		Share Options: SAYE Scheme	
	31.12.91	31.12.90	31.12.91	31.12.90	31.12.91	31.12.90
HJ Hann	30,629	30,629	–	–	–	–
MG Rogers	*786,601	940,413	206,094	176,094	20,089	14,802
Viscount Bridgeman	27,463	27,463	–	–	–	–
CR Chapman	–	–	140,000	120,000	20,089	–
JJ Cockburn	*25,141	31,233	106,312	90,062	–	14,802
FJA Howard	12,251	12,251	–	–	–	–
AJT Pilgrim	*3,188	–	114,250	56,250	20,089	4,934
J Priestley	*416,629	521,262	111,812	94,312	–	–

**includes shares held by virtue of the Nestor-BNA Profit Sharing Scheme.*

NOTES

1. None of the directors has any non-beneficial interest in the Company's share capital.
2. Between 31st December 1991 and the date of this report there were no changes in the interests of the directors in the share capital of the Company.
3. No director was materially interested in any contract of significance (apart from contracts of service) with any Group company during or at the end of the financial year.
4. The Company has maintained insurance of officers against liabilities in relation to the Company during the year.

SUBSTANTIAL SHAREHOLDERS

At the date of this report, the Company has been notified of the following interests of 3% or more in the ordinary share capital

	Number	Percentage of issued share capital
Prudential Corporation group including clients' managed funds	6,050,548	8·08
3i Group plc	3,618,789	4·84
Barclays Bank PLC non-beneficial	3,302,712	4·41
Framlington Group plc	3,132,830	4·19
Standard Life	3,095,974	4·14
Schroder Investment Management Ltd, as investment manager	2,777,990	3·71
Alliance Capital, for a discretionary client	2,536,667	3·39

SHARE CAPITAL

Details of the changes in the authorised and issued share capital of the Company during the year ended 31st December 1991 are given in Note 23 to the financial statements.

SHARE SCHEMES

Information regarding share options issued and exercised under the Nestor-BNA Employee Share Option Scheme and the Nestor-BNA Savings Related Share Option Scheme is given in Note 29 to the financial statements.

During the year 65,565 shares already in issue were allocated

to employees under the Nestor BNA Profit Sharing Scheme.

DIRECTORS' AUTHORITY TO ISSUE SHARES

A Special Resolution will be proposed to the Annual General Meeting on 13th May 1992, seeking authority for the directors to issue shares of the Company within certain constraints as set out in the Notice of Meeting. This resolution is similar to the corresponding resolutions passed in previous years. The proposed authority limit in this resolution is £374,000 and represents approximately 5% of the Company's issued share capital. If approved by the Meeting, this power will continue until the next Annual General Meeting of the Company.

FUTURE DEVELOPMENTS

The Group intends to continue to grow both organically and by acquisition when suitable opportunities arise.

CHARITABLE AND POLITICAL DONATIONS

During the year the Group made contributions to United Kingdom charitable organisations of £2,865. No political donations were made.

[illegible] STATUS

The Company is not a close company within the provisions of the Income and Corporate Taxes Act 1988.

EMPLOYMENT OF DISABLED EMPLOYEES

It is the Group's policy that disabled persons should be considered for employment, training, career development and promotion, on the basis of their abilities and aptitudes in common with all employees.

EMPLOYEE INVOLVEMENT

Various methods are used by the Company to ensure that all its employees are provided with information concerning them as employees, particularly the economic and financial factors affecting the Company's performance.

Internal circulars and newsletters are issued regularly and regular consultation and discussions between management and their staff are strongly encouraged.

AUDITOR

In accordance with Section 384 of the Companies Act 1985, a Resolution proposing the re[illegible]nt of Coopers & Lyb[illegible]itte, Chartered [illegible] auditor to the [illegible] will be put to the Annual General Meeting

Approved by the Board on 19th March 1992 and signed on its behalf by

J Wood

Secretary

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31st December 1991

	Notes	1991 £000	1990 £000
Turnover	*2,3*	100,536	104,403
Cost of sales		(77,265)	(80,222)
Gross Profit		23,271	24,181
Administrative expenses		(15,608)	(14,402)
Employee profit share	*7*	–	(60)
Operating Profit Before Exceptional Item	*3,4,5,6*	7,663	9,719
Exceptional item	*8*	(840)	–
Operating Profit After Exceptional Item		6,823	9,719
Interest payable less receivable	*9*	(1,518)	(1,703)
Profit On Ordinary Activities Before Taxation		5,305	8,016
Taxation	*10*	(1,005)	(2,383)
Profit On Ordinary Activities After Taxation	*11*	4,300	5,633
Dividends	*12*	(2,409)	(2,637)
Retained Profit For The Year	*24*	1,891	2,996
Earnings Per Share	*13*	5·81p	8·64p
Dividends Per Share	*12*	3·15p	3·15p

CONSOLIDATED BALANCE SHEET

as at 31st December 1991

	Notes	1991 £000	1990 £000
Fixed Assets			
Tangible fixed assets	*14*	18,273	13,034
Investments	*16*	1,034	1,034
Total Fixed Assets		19,307	14,068
Current Assets			
Stocks	*17*	215	221
Debtors	*18*	13,485	15,221
Cash at bank and in hand		2,015	11,072
		15,715	26,514
Creditors – Amounts Falling Due Within One Year	*19*	(10,693)	(22,822)
Net Current Assets		5,022	3,692
Total Assets Less Current Liabilities		24,329	17,760
Creditors – Amounts Falling Due After More Than One Year	*20*	(14,055)	(13,861)
Provisions For Liabilities And Charges	*22*	(457)	(661)
		9,817	3,238
Capital And Reserves			
Called up share capital	*23*	7,484	7,224
Share premium account	*24*	1,205	—
Revaluation reserve	*24*	5,256	—
Acquisition reserve	*24*	(12,561)	(10,846)
Other reserves	*24*	1,367	1,685
Profit and loss account	*24*	7,066	5,175
		9,817	3,238

The financial statements on pages 24 to 42 were approved by the Board on 19th March 1992 and were signed on its behalf by

M G Rogers *Director*
C R Chapman *Director*

HOLDING COMPANY BALANCE SHEET

as at 31st December 1991

	Notes	1991	1990
		£000	£000
FIXED ASSETS			
Tangible fixed assets	*15*	5,270	2,499
Investments	*16*	45,248	33,992
TOTAL FIXED ASSETS		50,518	36,491
CURRENT ASSETS			
Debtors	*18*	22,979	21,821
Cash at bank and in hand		15	12,805
		22,994	34,626
CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR	*19*	(16,200)	(16,870)
NET CURRENT ASSETS		6,794	17,756
TOTAL ASSETS LESS CURRENT LIABILITIES		57,312	54,247
CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	*20*	(4,880)	(4,880)
PROVISIONS FOR LIABILITIES AND CHARGES	*22*	–	(224)
		52,432	49,143
CAPITAL AND RESERVES			
Called up share capital	*23*	7,484	7,224
Share premium account	*24*	1,205	–
Revaluation reserve	*24*	2,758	–
Other reserves	*24*	36,697	36,442
Profit and loss account	*24*	4,288	5,477
		52,432	49,143

The financial statements on pages 24 to 42 were approved by the Board on 19th March 1992 and were signed on its behalf by

M G Rogers *Director*

C R Chapman *Director*

M G Rogers

C R Chapman

CONSOLIDATED CASH FLOW STATEMENT

for the year ended [illegible] December 1991

	1991 £000	1991 £000	1990 £000	1990 £000
Net Cash Inflow From Operating Activities		9,098		10,411
Returns On Investments And Servicing Of Finance				
Interest paid	(2,072)		(1,958)	
Interest received	784		147	
Dividends paid	(2,357)		(2,276)	
Net Cash Outflow From Returns On Investments And Servicing Of Finance		(3,645)		(4,087)
Taxation				
Corporation tax (including ACT) paid	(2,016)		(2,227)	
Tax Paid		(2,016)		(2,227)
Investing Activities				
Purchase of subsidiary undertakings	(255)		(30,491)	
Increase in fixed asset investments	—		(460)	
Purchase of tangible fixed assets	(1,293)		(1,623)	
Sale of tangible fixed assets	272		837	
Net Cash Outflow From Investing Activities		(1,276)		(31,737)
Net Cash Inflow (Outflow) Before Financing		2,161		(27,640)
Financing				
Issue of ordinary share capital	(10)		(18,782)	
Expenses paid on share issues	5		608	
Repayment of finance leases	2		11	
Decrease (increase) in loans other than from banks	812		(11,305)	
Redemption (issue) of promissory notes	10,570		(12,850)	
Increase (decrease) in bank deposits	(10,570)		12,850	
Net Cash (Inflow) Outflow From Financing		809		(29,468)
Increase In Cash And Cash Equivalents		1,352		1,828
		2,161		(27,640)

The notes to the Consolidated Cash Flow Statement are shown in Note 25 to the financial statements.

Note 1 Accounting Policies

Basis Of Accounting
The financial statements have been prepared in accordance with applicable accounting standards under the historical cost convention as modified by the revaluation of land and buildings. Accounts are made up to the nearest practicable Friday to 31st December each year.

Basis Of Consolidation
The Group financial statements comprise a consolidation of the financial statements of the Company and all its subsidiaries. Merger accounting principles are followed in respect of acquisitions which satisfy the conditions set out in Statement of Standard Accounting Practice Number 23. In accordance with the principles of merger accounting, comparative data is restated where merger accounting has been applied, and accounting policies are adjusted to be consistent with those of the Group. Acquisition accounting is used in respect of acquisitions which do not satisfy the conditions for merger accounting.

Depreciation
Depreciation of fixed assets is provided where it is necessary to reflect a reduction from book value to estimated residual value over the useful life of the asset to the Group. It is the Group's policy to maintain its properties in a state of good repair and in the case of freehold and long leasehold properties, the directors consider that the lives of these properties and their residual values are such that their depreciation is not significant. Accordingly, no depreciation is provided on freehold and long leasehold properties.

Other fixed assets are written off by equal instalments over their anticipated useful lives of between three and eight years.

Stocks
Stocks are valued at the lower of cost and net realisable value.

Deferred Taxation
Deferred taxation is provided on the liability method where, in the opinion of the directors, it is probable that the liability will crystallise in the foreseeable future.

Goodwill
Goodwill arises when the consideration paid for a business or company exceeds the fair value of the net tangible assets acquired. In the acquiring company's financial statements any goodwill arising is written off immediately against reserves at the date of acquisition, or in the case of deferred payments, the date of payment.

Contributions To Pension Funds
Contributions to pension funds are determined on the basis of recommendations made by independent qualified actuaries and are charged to the profit and loss account in such a way as to provide for the liabilities evenly over the remaining working lives of the employees.

Finance Leases
Where fixed assets are financed by leasing agreements which give rights approximately equivalent to ownership (finance lease) the assets are capitalised. The corresponding lease commitments are treated as obligations to the lessor.

Foreign Currencies
The trading results and cash flow of overseas subsidiary undertakings are translated into sterling using the average rates of exchange. The balance sheets of overseas subsidiary undertakings are translated into sterling at the rates of exchange ruling at the year end. Exchange differences arising on translation into sterling are dealt with through reserves. The cost of the Company's investment in overseas subsidiary undertakings is translated at the ruling rate at the date of the investment, except in those instances where forward exchange contracts have been arranged, in which case, the forward rate is used.

Note 2 Turnover

Turnover represents the amount invoiced net of value added tax.

Note 3 Analysis Of Turnover, Operating Profit And Net Assets

	Turnover		Operating profit	
	1991	1990	1991	1990
	£000	£000	£000	£000
Turnover and operating profit by geographical location				
United Kingdom	74,221	88,103	5,460	8,169
United States of America	26,315	16,300	3,257	2,708
Central costs, not allocated	—	—	(1,054)	(1,158)
	100,536	104,403	7,663	9,719
Turnover and operating profit by business activity				
Healthcare				
Nursing agencies – USA	26,315	16,300	3,257	2,708
Nursing agencies – UK	43,659	51,503	1,261	2,144
Hospitals and nursing homes	10,468	9,854	1,623	1,505
Doctors' deputising services	7,046	5,600	1,144	900
Other specialist personnel				
Productivity improvement specialists	6,016	8,574	299	928
Temporary accountants	7,032	12,572	1,133	2,692
Central costs, not allocated	—	—	(1,054)	(1,158)
	100,536	104,403	7,663	9,719

	Net operating assets	
	1991	1990
	£000	£000
Analysis of net operating assets		
By geographical location		
United Kingdom	47,987	41,979
United States of America	30,656	30,180
	78,643	72,159
By business activity		
Healthcare		
Nursing agencies – USA	30,656	30,180
Nursing agencies – UK	10,641	11,616
Hospitals and nursing homes	15,921	10,630
Doctors' deputising services	3,729	3,704
Other specialist personnel		
Productivity improvement specialists (see note below)	2,329	2,527
Temporary accountants	14,155	12,576
Central, not allocated	1,212	926
	78,643	72,159

NOTE 3 ANALYSIS OF TURNOVER, OPERATING PROFIT AND NET ASSETS - continued

	Net operating assets	
	1991	1990
	£000	£000
Reconciliation of net operating assets		
Capital employed per consolidated balance sheet	9,817	3,238
Loans and finance leases	13,932	14,502
Cash and cash equivalents	(453)	787
Goodwill written off	55,347	53,632
	78,643	72,159

Scott-Grant, the productivity improvement specialists, was accounted for under merger accounting rules and, as a consequence, goodwill arising from a fair value attributable to the consideration given for the acquisition is not included in the amount of net operating assets.

	1991	1990
	£000	£000
NOTE 4 OPERATING PROFIT		
Operating profit is stated after charging (crediting)		
Depreciation	1,074	916
Hire of plant & machinery	214	257
Auditors' remuneration – audit	137	125
Auditors' remuneration – other services	93	66
Rents received net of outgoings	(95)	(57)
Rent of premises	903	850
NOTE 5 EMPLOYEES		
Employee costs		
Wages and salaries	12,918	11,805
Social security costs	982	950
Other pension costs	184	179
	14,084	12,934

	1991	1990
	Number	Number
Employee numbers		
The average number of persons employed by the Group during the year was	1,766	1,733

	1991 £000	1990 £000
NOTE 6 DIRECTORS		
Employee costs include the following remuneration in respect of the directors		
Fees	55	51
Other emoluments (including pension contributions)	521	530
Compensation for loss of office to a former director	241	—
	817	581

The directors' remuneration disclosed above includes amounts (excluding pension contributions) paid to		
The Chairman	31	28
The highest paid director	130	134

The number of directors (including the Chairman and highest paid director) who received fees and other emoluments (excluding pension contributions) in the following ranges was

	1991 Number	1990 Number
£10,001 – £15,000	2	2
£25,001 – £30,000	1	2
£35,001 – £40,000	3	—
£55,001 – £60,000	—	1
£60,001 – £65,000	—	2
£70,001 – £75,000	—	1
£75,001 – £80,000	1	1
£85,001 – £90,000	1	—
£90,001 – £95,000	1	—
£130,001 – £135,000	1	1

	1991 £000	1990 £000
NOTE 7 EMPLOYEE PROFIT SHARE		
Employee profit share	—	60

In view of the reduced profit from the UK divisions, the directors have decided not to allocate an amount this year to the Nestor-BNA Profit Sharing Scheme (1990 – £60,000).

NOTE 8 EXCEPTIONAL ITEM		
Reorganisation costs incurred in the UK nursing agencies division	840	—

	1991 £000	1990 £000
NOTE 9 INTEREST PAYABLE LESS RECEIVABLE		
On bank loans, overdrafts and other loans wholly repayable within five years	409	1,698
On other loans	1,224	824
Investment income – bank interest receivable	(115)	(817)
	1,518	1,705

NOTE 10 TAXATION

Corporation Tax at 33·25% (1990 – 35%*) based on adjusted profits for the year	1,319	2,132
Overprovision in previous years	(110)	(72)
Deferred tax	(204)	323
	1,005	2,383

*This rate was subsequently reduced by the Finance Act 1991.

The taxation charge reflects the availability of allowable deductions against the profits of MRA.

NOTE 11 PROFIT FOR THE YEAR

Profit dealt with in the accounts of the Holding Company	1,220	4,004
Profit retained by subsidiary companies	3,080	1,629
	4,300	5,633

Under the provisions of Section 230 of the Companies Act 1985, the Company has not published its own profit and loss account.

NOTE 12 DIVIDENDS

Final dividend for 1989 paid on rights issue shares issued in 1990 and not provided in the financial statements for 1989. 18,058,827 Ordinary Shares: 2·00p per share	–	361
Final dividend for 1990 paid on shares issued in 1991 to the vendors of Hewitson-Walker and Scott-Grant and not provided in the financial statements for 1990. 2,589,296 Ordinary Shares: 2·00p per share	52	–
Dividends paid Ordinary Shares: 1·15p per share (1990: 1·15p)	860	831
Dividends proposed Ordinary Shares: 2·00p per share (1990: 2·00p)	1,497	1,445
	2,409	2,637

	1991	1990
NOTE 13 EARNINGS PER SHARE		
Earnings per share	**5·81p**	8·64p

The earnings per share is calculated on earnings of £4,300,000 (1990 – £5,633,000) and on the weighted average number of shares of 74,015,000 (1990 – 65,208,000).

No figure for fully diluted earnings per share is shown since the difference from the basic earnings per share is less than 5%.

NOTE 14 TANGIBLE FIXED ASSETS

	Land and buildings Freehold £000	Land and buildings Leasehold £000	Plant & equipment, fixtures & fittings £000	Total £000
GROUP				
COST OR VALUATION				
At 1st January 1991	6,167	2,520	6,527	15,214
Reclassification	—	180	(180)	—
Revaluation	2,644	2,678	—	5,322
Foreign exchange movements	—	—	(8)	(8)
Additions	196	6	1,091	1,293
Disposals	(70)	(1)	(562)	(633)
At 31st December 1991	8,937	5,383	6,868	21,188
DEPRECIATION				
At 1st January 1991	—	15	2,165	2,180
Foreign exchange movements	—	—	(2)	(2)
Eliminated on disposals	—	—	(337)	(337)
Charge for the year	—	15	1,059	1,074
At 31st December 1991	—	30	2,885	2,915
NET BOOK VALUE				
At 31st December 1991	8,937	5,353	3,983	18,273
At 31st December 1990	6,167	2,505	4,362	13,034

The cost or valuation of fixed assets held at 31st December 1991 was represented by				
1991 valuation	8,845	5,383	—	14,228
Cost	92	—	6,868	6,960
	8,937	5,383	6,868	21,188

Note 14 Tangible Fixed Assets – Group *continued*

Included in leasehold land and buildings is an amount of £5,138,000 in respect of assets held under a finance lease. The property is the land and buildings relating to New Hall Hospital. These assets are subject to a sale and leaseback agreement whereby they were sold for £2,379,600 to a subsidiary of Hambros Bank Limited. The term of the lease is 25 years. Hambros Bank has options to sell these assets to the Company which in turn has options to buy these assets at certain times during this period.

This property and the land and buildings owned by Nestor Medical Services were valued at 28th November 1991 by John D. Wood, Chartered Surveyors, on the basis of open market value for existing use.

	1991 £000	1990 £000
If land and buildings had not been valued, they would have been included at their original cost of	4,999	4,622

	Land & buildings Leasehold £000	Plant & equipment, fixtures & fittings £000	Total £000
Company			
Cost Or Valuation			
At 1st January 1991	2,200	348	2,548
Reclassification	180	(180)	–
Revaluation	2,758	–	2,758
Additions	–	55	55
Disposals	–	(38)	(38)
At 31st December 1991	5,138	185	5,323
Depreciation			
At 1st January 1991	–	49	49
Eliminated on disposal	–	(35)	(35)
Charge for the year	–	39	39
At 31st December 1991	–	53	53
Net Book Value			
At 31st December 1991	5,138	132	5,270
At 31st December 1990	2,200	299	2,499

The leasehold land and buildings of the Company comprise the property held under the finance lease described above.

Note 15 Capital Commitments

	Group		Company	
	1991	1990	1991	1990
	£000	£000	£000	£000
Capital expenditure that has been contracted but not provided for	52	26	–	–

At the year end, there was no capital expenditure which had been authorised by the directors but not yet contracted for (1990 – nil).

Note 16 Fixed Assets Investments

	Group	Company
	£000	£000
At 1st January 1991	1,034	33,992
Additions		
Hewitson-Walker	–	1,368
Scott-Grant	–	347
Nestor-BNA, Inc.	–	9,326
Foreign exchange movements	–	215
At 31st December 1991	1,034	45,248

The following principal subsidiary companies are wholly-owned and are incorporated and operate in the United Kingdom, except where stated.

Company	Business
Nestor-BNA, Inc. (United States of America) MRA Staffing Systems, Inc. (United States of America)	Nursing agencies – USA
Nestor Medical Personnel Limited British Nursing Co-operations Limited (trading as British Nursing Association or BNA)	Nursing agencies – UK
Nestor Medical Services Limited	Hospitals and nursing homes
Nestor Medical Deputising Group Limited	Doctors' deputising services
Scott-Grant (Management Services) Limited Scott-Grant (Computer Services) Limited Scott-Grant (Technical Services) Limited Scott-Grant (Training Services) Limited	Specialist personnel
Hewitson-Walker Limited Hewitson-Walker (Freelance Accounting Appointments) Limited	Specialist personnel

Note 16 Fixed Assets Investments – Company *continued*

(a) Nestor BNA Inc

Following the payment of the final consideration to the vendors of MRA on 2nd January 1991, the capital structure of Nestor BNA, Inc. was revised and the Company's investment increased by $18,000,000, being $15,000,000 in loans and $3,000,000 in capital contribution.

(b) Scott-Grant

In accordance with the purchase agreement dated 25th November 1988, a payment of £255,319 was made on 1st February 1991 which relates to a guaranteed share price on 1,063,830 of the 4,536,052 shares still held by the vendors at 31st December 1990.

Also in accordance with the purchase agreement, further consideration of £811,813 became due on 10th April 1991 and was satisfied by the issue of 919,066 new Ordinary Shares of 10p each.

(c) Hewitson-Walker

In accordance with the purchase agreement dated 11th August 1989, further consideration of £1,368,475 became due on 20th March 1991 and was satisfied by the issue of 1,670,230 new Ordinary Shares of 10p each to the vendors. Agreement was reached during the year with the vendors that no further consideration payments will be made.

(d) Nutri/System (United Kingdom) Limited

On 21st February 1989 the Company signed a joint venture agreement with Nutri/System, Inc. whereby Nutri/System (United Kingdom) Limited was established and given the right to offer in the United Kingdom the Nutri/System medically approved weight-loss programme encompassing counselling as well as the provision of dietary foods.

At 31st December 1991 the Company had invested an amount of £1,033,492 in Nutri/System (United Kingdom) Limited by way of £82,400 subscription for 'B' shares of £1 each at par, £247,600 non-interest bearing Convertible Loan Stock, and £670,000 unsecured interest bearing loan. The balance of the investment represents capitalised acquisition costs of £33,492.

Until such time as the non-interest bearing Convertible Loan Stock is converted, the Company's equity investment in Nutri/System (United Kingdom) Limited will be 19·9% with the balance of 80·1% held by Nutri/System, Inc.

The audited financial statements of Nutri/System (United Kingdom) Limited for the year ended 30th June 1991 show a loss after taxation of £2,672,000. These accounts include a statement that the parent company (Nutri/System, Inc.) has confirmed that it will continue to provide financial support to the company. The directors are of the view that there has been no permanent diminution in the value of Company's investment in Nutri/System (United Kingdom) Limited.

	Group 1991 £000	Group 1990 £000	Company 1991 £000	Company 1990 £000
NOTE 17 STOCKS				
Consumables and goods for resale	215	221	—	—
NOTE 18 DEBTORS				
Trade debtors	12,138	13,002	—	—
Amounts owed by Group companies	—	—	18,295	14,102
Dividends receivable from Group companies	—	—	2,397	5,117
Other debtors	415	485	287	238
Prepayments and accrued income	932	1,734	78	733
Corporation Tax	—	—	1,922	1,631
	13,485	15,221	22,979	21,821
NOTE 19 CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR				
Bank overdraft	1,562	1,289	5,995	5,694
Loan notes	—	812	—	812
Promissory notes	—	10,570	—	—
Trade creditors	2,929	3,112	—	—
Amounts owed to Group companies	—	—	7,957	7,758
Dividends proposed	1,497	1,445	1,497	1,445
Corporation Tax	1,043	1,975	287	262
Other tax and social security	1,607	1,086	12	10
Other creditors	976	1,379	187	183
Accruals and deferred income	1,079	1,154	265	706
	10,693	22,822	16,200	16,870
NOTE 20 CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR				
Bank loan	2,500	2,500	2,500	2,500
Loan other than from banks	9,052	8,808	—	—
Obligations under finance leases	2,380	2,382	2,380	2,380
Other creditors	123	171	—	—
	14,055	13,861	4,880	4,880

Note 21 Net Borrowings And Finance Leases

	Repayment dates	Interest rates	Group 1991 £000	Group 1990 £000	Company 1991 £000	Company 1990 £000
Secured						
Promissory notes ($20·4 million)	1991	11·125%	–	10,570	–	–
Bank loan	1994	variable	2,500	2,500	2,500	2,500
Finance leases	1994	variable	2,380	2,382	2,380	2,380
Unsecured						
Bank overdraft	..	variable	1,562	1,289	5,995	5,694
Loan notes	1991	13%	–	812	–	812
Loan other than from banks ($17 million)	1993-1997	10·37%	9,052	8,808	–	–
Total borrowings and finance leases			15,494	26,361	10,875	11,386
Less cash at bank and in hand			(2,015)	(11,072)	(15)	(12,805)
Net borrowings and finance leases			13,479	15,289	10,860	(1,419)

Net borrowings and finance leases for the Group are summarised as follows

	Repayable within 1 year £000	Repayable between 2 & 5 years £000	Repayable beyond 5 years £000	Total £000
Secured				
Bank loan	–	2,500	–	2,500
Finance leases	–	2,380	–	2,380
Unsecured				
Bank overdraft	1,562	–	–	1,562
Loan other than from banks ($17 million)	–	7,242	1,810	9,052
Total borrowings and finance leases	1,562	12,122	1,810	15,494
Less cash at bank and in hand	(2,015)	–	–	(2,015)
At 31st December 1991	(453)	12,122	1,810	13,479
At 31st December 1990	1,599	10,167	3,523	15,289

The bank loan is secured by a fixed charge over one of the Group's properties and bears interest at a rate linked to LIBOR.

The loan other than from banks is in the amount of $17 million from Teachers Insurance and Annuity Association of America, Inc. The loan is unsecured and repayable in five equal annual instalments of $3·4 million beginning 15th May 1993.

Note 22 Provision For Liabilities And Charges

	Group		Company	
	1991	1990	1991	1990
	£000	£000	£000	£000
Deferred taxation provision				
At 1st January 1991	661	338	224	–
Provided (released) in the year	(204)	323	(224)	224
At 31st December 1991	457	661	–	224
The deferred tax provision arises from				
Accelerated depreciation allowances	457	437	–	–
Other timing differences	–	224	–	224
	457	661	–	224
Full potential liability	490	803	–	240

In addition to the potential liability shown above, a taxation charge of approximately £2,500,000 would arise on chargeable gains in the event of the Group's properties being realised at valuations at which they are included in the balance sheet at 31st December 1991.

Note 23 Share Capital

	Authorised		Allotted, issued and fully paid	
	Number	£000	Number	£000
Ordinary Shares of 10p each				
At 1st January 1991	96,000,000	9,600	72,235,815	7,224
Issued to vendors of Scott-Grant	–	–	919,066	92
Issued to vendors of Hewitson-Walker	–	–	1,670,230	167
Share options exercised	–	–	14,247	1
At 31st December 1991	96,000,000	9,600	74,839,358	7,484

Note 24 Reserves

	Share premium account £000	Revaluation reserve £000	Acquisition reserve £000	Foreign exchange reserve £000	Profit & loss account £000	Total £000
Group						
At 1st January 1991	—	—	(10,846)	1,685	5,175	(3,986)
Foreign exchange movements	—	—	—	(318)	—	(318)
Revaluation of land & buildings	—	5,322	—	—	—	5,322
Adjustment arising in respect of disposal of revalued asset	—	(66)	—	—	—	(66)
Share premium on issued shares	1,210	—	—	—	—	1,210
Share issue expenses written off	(5)	—	—	—	—	(5)
Goodwill on acquisition written off	—	—	(1,715)	—	—	(1,715)
Retained profit for the year	—	—	—	—	1,891	1,891
At 31st December 1991	1,205	5,256	(12,561)	1,367	7,066	2,333

The total amount of goodwill written off to date against reserves in respect of subsidiaries still held by the Group is £55,347,000.

Goodwill arising from deferred acquisition consideration payments made during the year has been written off to the acquisition reserve.

Goodwill on acquisition written off during the year consists of the following

	£000
Scott-Grant — deferred consideration	347
Hewitson-Walker — deferred consideration	1,368
	1,715

	Share premium account £000	Revaluation reserve £000	Other reserves £000	Foreign exchange reserve £000	Profit & loss account £000	Total £000
Company						
At 1st January 1991	—	—	36,442	—	5,477	41,919
Foreign exchange movements	—	—	—	255	—	255
Revaluation of land & buildings	—	2,758	—	—	—	2,758
Share premium on issued shares	1,210	—	—	—	—	1,210
Issue expenses written off	(5)	—	—	—	—	(5)
Profit for the year	—	—	—	—	1,220	1,220
Dividends	—	—	—	—	(2,409)	(2,409)
At 31st December 1991	1,205	2,758	36,442	255	4,288	44,948

Note 25 Cash Flow Statement

Reconciliation of operating profit to net cash inflow from operations	1991 £000	1990 £000
Operating profit	6,823	9,719
Depreciation charge	1,074	916
Net profit on sale of tangible fixed assets	(42)	(72)
Decrease (increase) in stocks	6	(15)
Decrease in debtors	1,067	2,822
Increase (decrease) in creditors	170	(2,959)
Net cash inflow from operations	9,098	10,411

Analysis of changes in share capital and capital reserves	Share capital £000	Share premium account £000	Other capital reserves £000	Total £000
At 1st January 1990	5,418	2,990	—	8,408
Net cash inflow (outflow) from financing	1,806	16,976	(608)	18,174
Other movements	—	(19,966)	(10,238)	(30,204)
At 1st January 1991	7,224	—	(10,846)	(3,622)
Net cash inflow from financing	1	4	—	5
Other movements	259	1,201	(1,715)	(255)
At 31st December 1991	7,484	1,205	(12,561)	(3,872)

Analysis of movements in loans and cash balances	Loans and finance leases £000	Cash and cash equivalents £000	Total £000
At 1st January 1990	(4,893)	(2,615)	(7,508)
Net cash inflow (outflow)	(11,294)	1,828	(9,466)
Foreign exchange movements	1,685	—	1,685
At 1st January 1991	(14,502)	(787)	(15,289)
Net cash inflow	814	1,352	2,166
Foreign exchange movements	(244)	(112)	(356)
At 31st December 1991	(13,932)	453	(13,479)

Note 26 Contingent Liabilities

The Company has given guarantees of up to £200,000 in respect of VAT and customs duty deferment on imported goods for Nutri/System (United Kingdom) Limited. The Company has also given guarantees in respect of certain properties leased by Nutri/System (United Kingdom) Limited. There are 15 such leases. As at 31st December 1991, the remaining life of the leases varied from 1 year to 34 years and the annual rental ranged from £17,000 to £60,000. Nutri/System, Inc. has agreed to honour 50% of these lease guarantees.

Note 27 Other Financial Commitments

The Group occupies numerous premises operated under leases whose terms, conditions and expiry dates vary considerably. The aggregate annual rental costs of these premises amounted to £903,000 in 1991 (1990 – £850,000).

Note 28 Pension Costs

The Company operates a pension scheme providing benefits based on final pensionable salary. The scheme is administered by Trustees separately from the affairs of the Group and is contracted out of the additional component of the State Pension Scheme.

The manager of the scheme is Eagle Star. Their Pension Actuary carried out an actuarial valuation of the scheme as at 30th April 1989 using a modified projected unit method and concluded that at that date the actuarial value of the assets was sufficient to cover 130% of the accrued benefits, allowing for expected future salary increases up to Normal Pension Age.

For funding purposes, the surplus has been spread over a period of 20 years, thus reducing the employer's funding rate from 6·7% to 6·1%. Members' contributions remain at 5%. As the average expected remaining service life of the current members was 15 years, the funding rate is deemed equivalent to the charge for pension costs under the principles of Statement of Standard Accounting Practice Number 24. The employer also pays an additional funding rate of 1·5% for death-in-service benefits consisting of employee life assurance and spouses' pensions following employee death-in-service.

The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rate of increase in salaries. A rate of increase of 8% per annum has been used to discount future income and outgoing benefits, and it has been assumed that salary increases will average 6·5%.

The pension charge for the year was £184,000 (1990: £179,000).

Note 29 Share Option Schemes

Options over 3,064,415 Ordinary Shares had been issued under the Employee Share Option Scheme at 31st December 1991. The options are exercisable, subject to the rules of the scheme, on specified dates until October 2001, at prices between 67p and 145p per share.

Options over 799,213 Ordinary Shares had been issued under the Savings Related Share Option Scheme at 31st December 1991. Options are exercisable, subject to the rules of the scheme, either from December 1995 at 76p per share or from November 1996 at 56p per share.

TO THE MEMBERS OF NESTOR BNA plc

We have audited the financial statements on pages 24 to 42 in accordance with Auditing Standards

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 31st December 1991 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985

Coopers & Lybrand Deloitte

Coopers & Lybrand Deloitte
Chartered Accountants and Registered Auditor
London

19th March 1992

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the sixth Annual General Meeting of the Company will be held at The Brewers' [illegible] Street, [illegible] EC1Y 4SD on 13th May 1992 at 12 noon for the following purposes

ORDINARY BUSINESS

1 To receive and consider the financial statements, together with the reports of the directors and auditor, for the year ended 31st December 1991.

2 To declare a final dividend

3 To re-elect AJT Pilgrim as a director.

4 To re-elect Viscount Bridgeman as a director.

5 To re-elect JJ Cockburn as a director.

6 To re-appoint Coopers & Lybrand Deloitte as the auditor to act as such until the conclusion of the next Annual General Meeting and to authorise the directors to fix the auditor's remuneration

SPECIAL BUSINESS

7 To consider and, if thought fit, to pass the following resolution which will be proposed as a Special Resolution That, the directors be and they are hereby empowered pursuant to Section 95 of the Companies Act 1985 to allot equity securities (within the meaning of Section 94 of that Act) pursuant to the authority conferred by Ordinary Resolution numbered 7 passed at the Annual General Meeting of the Company held on 16th May 1991, as if sub section (1) of Section 89 of that Act did not apply to any such allotment, provided that this power shall be limited to

(i) the allotment of equity securities in connection with any rights issue in favour of ordinary shareholders on the register of members at such record date or dates as the directors may determine for the purpose of the issue where the equity securities respectively attributable to the interests of all such holders of Ordinary Shares are proportionate (as nearly as may be) to the respective numbers of Ordinary Shares held by them at any such record date or dates so determined, provided that the directors may make such arrangements or exclusions as they consider necessary or expedient in respect of fractional entitlements or legal or practical problems arising in any overseas territory or the requirements of any regulatory body or stock exchange; and

(ii) the allotment of equity securities pursuant to the terms of any share scheme for employees approved by shareholders in general meeting; and

(iii) the allotment (otherwise than pursuant to sub-paragraphs (i) or (ii) above) of equity securities up to an aggregate nominal amount of £374,000;

and shall expire on the date of the next Annual General Meeting of the Company after the date of passing of this resolution, save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offer or agreement notwithstanding that this power has expired.

By order of the Board
J Wood
Secretary

Registered Office: 20A Church Road
Welwyn Garden City, Hertfordshire AL8 6PS
19th March 1992

1 A member of the Company entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company. To be valid, proxies must be lodged with the Registrars of the Company not later than 48 hours before the time appointed for the meeting

2 Copies of all service agreements of more than one year's duration between the Company and the directors, will be available for inspection at the registered office of the Company during normal business hours from the date of this notice until the date of the meeting (Saturdays and bank holidays excepted) and at the place of the meeting from 15 minutes before and until the end of the meeting